

CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED

**Submission on the Australian and New Zealand Productivity Commissions' Joint
Study – Discussion Draft**

“STRENGTHENING TRANS-TASMAN ECONOMIC RELATIONS”

18 October 2012

TABLE OF CONTENTS

INTRODUCTION	3
EXECUTIVE SUMMARY	4
TRADE IN GOODS	5
DR 4.7: Continue to develop common systems and processes for quarantine and biosecurity, where cost effective	5
CIAL supports this recommendation	5
CIAL recommends implementation of X-ray image transfer	5
TRADE IN SERVICES	6
DR 4.8: Work towards removing remaining restrictions on a single trans-Tasman aviation market	6
CIAL supports this recommendation	6
7 th freedom passenger movement rights	6
Designation requirements	6
DR 4.9: Work towards further liberalisation of air services	6
CIAL supports this recommendation	6
CIAL recommends removal of 5 th freedom restrictions	7
CIAL supports removal of restrictions on airline access to regional airports and priority airports	7
DR 4.10: Reconfigure the Passenger Movement Charge in Australia as a genuine user charge for border services. Review border passenger charges in New Zealand	8
CIAL supports both full and partial cost recovery of border services charges	8
PEOPLE MOBILITY	9
DR 4.15: Progress roll out of SmartGate and associated systems where cost effective	9
CIAL supports this recommendation	9
DR 4.16: Scope a 'trans-Tasman tourist visa' for foreigners visiting both countries	9
CIAL supports this recommendation	9

INTRODUCTION

- 1 Christchurch International Airport Limited (*CIAL*) welcomes the opportunity to make a submission on the Discussion Draft, released as part of the joint study being undertaken by the Productivity Commissions of Australia and New Zealand (the *Commissions*), 'Strengthening trans-Tasman economic relations' (the *Discussion Draft*).

- 2 *CIAL*'s contact persons in respect of this submission are:
 - **Matthew Findlay**
General Manager Aeronautical Business Development
Christchurch International Airport Limited

 - **Neil Cochrane**
General Manager Business Services
Christchurch International Airport Limited

EXECUTIVE SUMMARY

- 3 CIAL is very encouraged by the extent to which the Commissions have incorporated submitters' views on the Issues Paper into the Discussion Draft. The thorough consultation by the Commissions on important issues regarding trans-Tasman integration is to be commended, and we ultimately look forward to the Commissions' Final Report.
- 4 CIAL's submission responds to the Commissions' draft recommendations that are directly relevant to the aviation industry. Our submission is structured in accordance with these draft recommendations, as they fall under the following headings provided for in the Discussion Draft:
 - 4.1 Trade in Goods
 - 4.2 Trade in Services
 - 4.3 People Mobility
- 5 In summary, CIAL's observations on the Discussion Draft are as follows:
 - 5.1 CIAL **supports** the draft recommendation to develop common quarantine and biosecurity systems and, to this end, **reiterates its recommendation** for implementation of the X-ray image transfer initiative announced by both Prime Ministers in 2009.
 - 5.2 CIAL **supports** the draft recommendation to increase competition on the trans-Tasman air services market by granting 7th freedom passenger movement rights and amending the designation requirements under the Australia/New Zealand Open Skies Agreement.
 - 5.3 CIAL **supports** the draft recommendation to further liberalise air services policies and agreements and, to this end:
 - (a) **reiterates its recommendation** that both governments should commit to granting open 5th freedom rights to foreign carriers on the Tasman and removing existing restrictions on such rights; and
 - (b) **supports** the removal of restrictions on airline access to regional and priority airports.
 - 5.4 CIAL **does not support** the draft recommendation to review New Zealand border passenger charges but **does support** the draft recommendation to reconfigure the Australian Passenger Movement Charge.
 - 5.5 CIAL **supports** the draft recommendation to progressively roll out SmartGate systems.
 - 5.6 CIAL **supports** the draft recommendation to explore the introduction of a 'trans-Tasman tourist visa' for foreigners visiting both Australia and New Zealand.

TRADE IN GOODS

DR 4.7: Continue to develop common systems and processes for quarantine and biosecurity, where cost effective

CIAL supports this recommendation

- 6 CIAL supports the draft recommendation to integrate biosecurity processes where cost effective, and in particular, the Commissions' finding that:¹

... trans-Tasman biosecurity agencies could mutually benefit from further sharing of the purchase, use and maintenance of expensive technologies, such as biosecurity testing facilities.

CIAL recommends implementation of X-ray image transfer

- 7 Further to this, CIAL **reiterates its recommendation** on the Issues Paper, that the X-ray image transfer initiative (announced by both Prime Ministers in 2009) be implemented. By avoiding a duplication of biosecurity processes, this initiative would result in:

- 7.1 more efficient passenger movements through the airport on arrival, as passenger baggage would be assessed for biosecurity risk and cleared during flight time; and
- 7.2 a reduction in costs to biosecurity agencies.

- 8 X-ray image transfer is a particularly effective way of streamlining biosecurity processes, because it will not require trans-Tasman biosecurity agencies to agree on common biosecurity risk assessments. This avoids one of the main impediments to biosecurity harmonisation on the trans-Tasman, as it is sensitive to both countries' unique environmental profiles.

¹ Australian and New Zealand Productivity Commissions "Supplement A: Trade in Goods" in *Strengthening trans-Tasman economic relations – Discussion Draft* (September 2012) at 19.

TRADE IN SERVICES

DR 4.8: Work towards removing remaining restrictions on a single trans-Tasman aviation market

CIAL supports this recommendation

9 In the interests of increasing competition on the trans-Tasman, CIAL supports the draft recommendation to further liberalise the trans-Tasman air services market by:

- 9.1 granting carriers 7th freedom rights for the movement of passengers; and
- 9.2 aligning the current airline designation requirements with each government's broader designation policies.

7th freedom passenger movement rights

10 CIAL supports the granting of 7th freedom rights for passenger movements.

11 A particular advantage of having 7th freedom rights on the trans-Tasman would be the ability for foreign carriers to operate standalone services between Australia and New Zealand. Such services would be akin to those operated between Paris and New York by the British Airways subsidiary 'OpenSkies' - despite OpenSkies effectively being a British Airline.

12 A practical example of a 7th freedom operation on the trans-Tasman would be a Chinese carrier operating a subsidiary airline in New Zealand, providing services between Christchurch and Australia.

13 With the South East Asian region liberalising its own air services market, it is important that we fully liberalise the trans-Tasman market so as to remain competitive. 7th freedom rights for passenger movement are the last remaining freedom not yet granted on the trans-Tasman, and CIAL believes the time has come to take this final step.

Designation requirements

14 CIAL strongly supports the recommendation to align the designation requirements under the New Zealand/Australia Open Skies Agreement with each country's broader designation policies. These designation policies are, where possible, are based on incorporation, principal place of business, and effective regulatory control.

15 As mentioned in CIAL's submission on the Issues Paper, because we have open skies on the Tasman, there is no scarcity of traffic rights to ration. Consequently, it is appropriate to have a more relaxed approach to designation criteria.

DR 4.9: Work towards further liberalisation of air services

CIAL supports this recommendation

16 CIAL supports the draft recommendation for both governments to pursue broader liberalisation in their respective international air services policies and agreements, and in particular the Commissions' finding that the remaining restrictions on airlines' access to secondary/regional airports should be removed.

CIAL recommends removal of 5th freedom restrictions

- 17 To further liberalise the trans-Tasman aviation market, CIAL **reiterates its recommendation** on the Issues Paper that both governments should commit to:
- 17.1 granting open 5th freedom rights for foreign carriers to fly to Australia or New Zealand (as the case may be); and
 - 17.2 removing existing restrictions on 5th freedom rights for foreign carriers to fly to Australia and New Zealand (as the case may be).
- 18 As outlined in our submission on the Issues Paper, the implications of restricting 5th freedom rights are economically significant because of the associated limitations that are placed on passenger and freight movements.
- 19 The South Island is disproportionately prejudiced by these limitations, because it is often the case that the only New Zealand ports that foreign carriers are granted onwards carriage to from Australia are located in the North Island.
- 20 This is illustrated by the current inability for Indonesian carriers to fly onwards from Australia to any point in New Zealand other than Auckland.
- 21 CIAL understands that the Australian Government generally offers 5th freedom rights for carriers to fly to New Zealand as a gesture of good will. The granting of such rights is never pivotal to the ASA negotiations, and the economic advantage of 5th freedom rights to many carriers is low in any event. For this reason, and given the stated implications on passenger and freight movements of restricting 5th freedom rights, there is no justifiable policy rationale for differentiating between the granting of 5th freedom rights by Australia or New Zealand.
- 22 Instead, both governments should take an even-handed approach to granting 5th freedom rights across the Tasman, and removing existing restrictions on these rights.

CIAL supports removal of restrictions on airline access to regional airports and priority airports

- 23 CIAL endorses the Australian regional air access policy whereby foreign airlines are granted:
- 23.1 unlimited access to regional Australian airports; and
 - 23.2 more capacity to Australia's major gateways if their services are linked to regional airports.
- 24 In our submission on the Issues Paper, CIAL recommended that a similar policy be implemented in New Zealand.
- 25 Since our submission, the New Zealand Ministry of Transport (*MOT*) has released an International Air Transport Policy with the following commitment to increase access to the South Island:

Over the five years to June 2017, we will give favourable consideration to authorising operations by foreign airlines into Christchurch ahead of negotiations, to reduce barriers to entry as the region recovers from the 2010-11 earthquakes.

26 The MOT is to be commended on the innovative nature of the International Air Transport Policy, including this particular commitment to improve air services to the South Island. This commitment has the potential to improve South Island connectivity by providing for:

26.1 greater air service frequency and capacity; and

26.2 a wider range of international services.

27 CIAL endorses, welcomes and applauds policies like this that are directed towards benefiting national and trans-Tasman interests, rather than being focussed on requiring reciprocity in spite of the resulting economic harm.

28 Requiring reciprocity results in ASAs containing restrictions on the freedoms afforded to foreign airlines to fly into a particular country. Historically, this has resulted in foreign airlines using up their available freedoms flying to principal gateway airports located in the North Island of New Zealand. The South Island is distanced from these North Island airports, resulting in a disproportionate prejudice to the South Island tourism and air freight industries - which rely on Christchurch Airport for effective international connectivity.

DR 4.10: Reconfigure the Passenger Movement Charge in Australia as a genuine user charge for border services. Review border passenger charges in New Zealand

CIAL supports both full and partial cost recovery of border services charges

29 The only restriction on governments with respect to charges for border services should be on their ability to over-recover costs.

30 Otherwise, as a matter of independent policy, governments should be entitled to recover the full cost of such services, or to subsidise the cost.

31 It follows that:

31.1 CIAL does not support a review of the New Zealand border passenger charge so as to achieve full cost recovery. As mentioned, governments should be entitled to recover below cost for border services, as is currently the case with New Zealand's border passenger charges.

31.2 CIAL supports the recommendation that the Australian Passenger Movement Charge be reconfigured as a genuine use charge. As mentioned, governments should be entitled to full cost recovery for border services - the benefit of which is that passengers receive an accurate price signal for the border services they use.

PEOPLE MOBILITY

DR 4.15: Progress roll out of SmartGate and associated systems where cost effective

CIAL supports this recommendation

- 32 CIAL acknowledges the efforts that have been made by both governments to roll-out SmartGate systems, and supports the draft recommendation to further progress the implementation of SmartGate systems across the Tasman.
- 33 In particular, CIAL endorses the Commissions' findings that:
- 33.1 Australia should adopt SmartGate for departures, as has been done in New Zealand; and
- 33.2 a particular focus should be on rolling out SmartGate systems in regional airports.
- 34 As mentioned in CIAL's submission on the Issues Paper, border streamlining initiatives - like SmartGate - promote efficient trans-Tasman travel, including by facilitating more effective targeting of security risks.
- 35 CIAL encourages the publication of the final report on the trans-Tasman trial of SmartGate systems undertaken at Gold Coast Airport. This report will provide useful information on the amount of further investment that is warranted in further rolling out SmartGate systems.

DR 4.16: Scope a 'trans-Tasman tourist visa' for foreigners visiting both countries

CIAL supports this recommendation

- 36 CIAL supports the draft recommendation to explore the introduction of a trans-Tasman tourist visa.
- 37 It makes economic sense to streamline visa arrangements to Australia and New Zealand, given that such a large proportion of foreign travellers to the Tasman visit both Australia and New Zealand in a single trip.
- 38 CIAL acknowledges the merit in the Commissions' finding that a trans-Tasman tourist visa would reduce costs for travellers from China, who do not currently enjoy a visa waiver with New Zealand.
- 39 CIAL is generally supportive of any policy that encourages increased Asian passenger movements to the region. As illustrated in the Discussion Draft, Chinese tourists are a significant passenger market for both Australia and New Zealand. And China has been identified by InterVISTAS as the market that would have the greatest impact on passenger movements to New Zealand, in the event of further liberalisation on connecting air routes.²

² InterVISTAS Consulting Inc *Impact of International Air Service Liberalisation on New Zealand* (December 2010) at 24 – 25.